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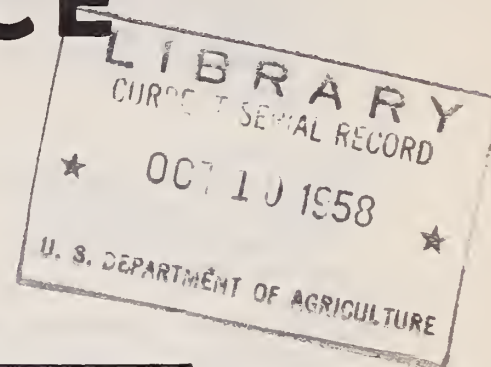
September 1958

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DEMAND and PRICE SITUATION

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Approved by the Outlook and Situation Board, September 19, 1958

SUMMARY

Prices received by farmers in mid-August averaged 1 percent less than July but nearly 2 percent above a year earlier. Price declines from July were reported for most farm products; though prices of cotton, dairy products and tobacco were higher. Meat animal prices averaged a little lower as marketings increased. Vegetable and potato prices declined sharply, with the seasonal rise in marketings. With a record crop output in prospect, a seasonal pickup in hog marketings, and egg production running above a year ago, prices of farmers are likely to tend down in the next few months.

With prices above a year ago and a larger volume of marketings particularly of wheat, cash receipts in August were 7 percent above a year earlier. Livestock and product receipts were up 4 percent and crops 11 percent higher. Farmers' realized net income in the first three quarters of 1958 is estimated at an annual rate of about 13 billion dollars, 19 percent more than in the same period of 1957. The increase resulted from higher average prices notably

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1957		1958			
		Year	Aug.	May	June	July	Aug.
Industrial production: Seasonally adj. <u>1/</u>							
Total	1947-49=100	143	145	128	132	134	137
All manufactures	do.	145	147	130	134	137	139
Durable goods	do.	160	163	134	139	141	144
Nondurable goods	do.	130	132	126	129	132	134
Minerals	do.	128	129	109	112	115	119
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	48,492	4,034	3,929	3,969	4,058	4,120
Public construction	Mil. dol.	14,354	1,180	1,213	1,226	1,254	1,264
Private residential		17,019	1,412	1,334	1,368	1,431	1,506
Housing starts	Thousands	1,042	1,056	1,039	1,090	1,160	1,170
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	28,383	28,638	25,206	25,747	26,290	
Durable goods	Mil. dol.	14,159	14,297	11,643	12,086	12,326	
Unfilled orders-sales ratio <u>5/</u>		3.40	3.83	3.74	3.61	3.56	
Inventory-sales ratio <u>6/</u>		1.89	1.89	2.02	1.95	1.89	
Durable goods		2.20	2.22	2.49	2.36	2.30	
Employment and wages: <u>7/</u>							
Total civilian employment	Millions	65.0	66.4	64.1	65.0	65.2	65.4
Nonagricultural	do.	58.8	59.6	57.8	58.1	58.5	58.7
Unemployment	do.	2.9	2.6	4.9	5.4	5.3	4.7
Workweek in manufacturing	Hours	39.8	40.0	38.7	39.2	39.2	39.4
Hourly earnings in manufacturing	Dollars	2.07	2.07	2.12	2.12	2.13	2.12
Income and spending:							
Personal income payments <u>2/</u> <u>3/</u>	Bil. dol.	347.9	352.1	349.9	352.0	358.8	355.6
Consumer credit outstanding <u>1/</u>	Mil. dol.	44,776	43,101	43,027	43,122	43,026	
Automobile	Mil. dol.	15,496	15,490	14,713	14,691	14,673	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	16,668	17,030	16,562	16,581	16,721	16,922
Durable goods	Mil. dol.	5,705	5,740	5,235	5,149	5,221	5,322
Inventory-sales ratio <u>6/</u>		1.47	1.42	1.44	1.45	1.43	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	118	118	120	119	119	119
Commodities other than farm and food	do.	126	126	125	125	126	126
Farm products	do.	91	93	98	96	95	93
Foods processed	do.	106	107	113	114	113	111
Consumer price index, all items <u>4/</u>	1947-49=100	120	121	124	124	124	124
Food	do.	115	118	122	122	122	121
Prices received by farmers <u>8/</u>	1910-14=100	242	247	264	255	254	251
Crops	do.	233	232	246	232	228	225
Livestock and products	do.	249	261	280	275	277	275
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	296	295	306	305	305	304
Family living items	do.	286	287	294	293	293	291
Production items	do.	258	257	271	270	270	269
Parity ratio <u>8/</u>		82	84	86	84	83	83
Farm income and marketings: <u>8/</u>							
Volume of farm marketings	1947-49=100	116	122	96	111	125	131
Cash receipts from farm marketings	Mil. dol.	29,757	2,676	2,286	2,423	2,743	2,900

Annual data for most of these items for the years 1929 and 1939-57 appear on page 35 of the April 1958 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census. 8/ U. S. Department of Agriculture, Agricultural Marketing Service.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, September 19, 1958

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for meat animals, increased marketings of many crops, including some delayed from last fall's late harvest and larger Soil Bank payments, which more than offset a further increase in production expenses.

Crop production prospects improved further during August for a number of major crops, including corn, cotton, soybeans, barley, oats, hay, spring wheat and sorghum grain. September 1 growing conditions pointed to a record crop output nearly a tenth above the record established in 1948 and equaled in 1956 and 1957. Yields per acre are indicated at about 12 percent above the previous high in 1957. Feed grain production as of September 1 was estimated to be nearly 6 percent above the 1957 record. Soybeans are expected to reach 561 million bushels, a new record. A cotton crop of 12.1 million bales, up 1.1 million from 1957 is now expected despite a substantial decline in acreage; the indicated yield per acre is a new record. Total production of deciduous fruits will likely exceed 1957, owing to increases in production of apples, peaches and grapes.

Economic activity improved in August continuing the recovery which started last spring. Consumer incomes, after adjustment for retroactive salary payments, rose a little from July. Retail sales in August climbed about 1 percent from July. Civilian employment increased about the usual amount in August with the unemployment rate after seasonal adjustment about the same as in April and May. Factory production rose 2 percent in August and the rate of inventory liquidation in July eased. Business capital spending has leveled out and according to a recent survey of the Department of Commerce and Securities and Exchange Commission, some increase is scheduled for the last quarter of 1958.

According to Mid-Year Budget Review, Federal Government expenditures are expected to total over 7 billion dollars more than during the current fiscal year ending June 30, 1959 than in the preceding year. Expenditures for agriculture and agricultural resources are estimated to be close to 2 billion higher reflecting heavier price support operations and larger Soil Bank payments.

Commodity Highlights

Prices of fed cattle in mid-September were a little above a year earlier and they may not change much through fall, but an upturn is possible before the end of the year. Hog marketings are increasing seasonally and price declines are in prospect for the next couple of months. Prices in 1959 will be a good deal lower than in this year.

Milk production has leveled off this year after several years of increase. Milk cow numbers are down sharply.

The flock of layers will probably be 2 to 4 percent larger on next January 1, than last year. Monthly egg production during the next 8 or 9 months is likely to exceed year earlier levels. Although 4 percent fewer turkeys are being raised than last year, large storage stocks and an increased late hatch will tend to hold prices close to last year for the rest of 1958.

Current indications point to a record supply of edible fats, oils and oilseeds in the 1958-59 marketing year, up about 15 percent from the year just ending.

Prices of feed grains and high protein feeds have declined in recent weeks and further declines in overall feed prices are expected this fall under the impact of record supplies.

Market prices of wheat in mid-September were lower relative to the effective support level than a year earlier, reflecting the effects of the record large crops and of the larger quantities of wheat ineligible for support.

Production of fresh market vegetables this fall is estimated to be 3 percent above last year, and prices are likely to average near those of a year earlier.

Larger supplies of potatoes are in prospect; the late summer and fall crops are forecast at about 12 percent above last year. Prices are running considerably below a year ago.

After declining sharply during the past year, Boston quotations for most domestic wools in early September were unchanged from a month earlier.

For all flue-cured tobacco belts through mid-September, the average price received was 57.2 cents per pound compared with 56.7 cents in the comparable period a year earlier.

THE AGRICULTURAL ACT OF 1958

This act, which was signed by the President on August 28, includes the following major provisions:

(1) For cotton, the Act establishes a minimum national acreage allotment of 16 million acres. For 1959 and 1960, it offers each individual farmer a choice between (a) his regular acreage allotment and price support as determined under the flexible formula, but not less than 80 percent of parity for the 1959 crop, and not less than 75 percent for the 1960 crop or (b) an increase of not to exceed 40 percent (as determined by the Secretary) in his regular farm allotment with price support at 15 percent of parity below the level established under choice (a).

Beginning with the 1961 crop, all cotton farmers will receive their regular acreage allotments, with the price support level established without regard to the flexible formula, but at not less than the following minimums: For 1961, 70 percent of parity; for 1962 and following years 65 percent of parity.

(2) For corn, producers in the commercial area are given the opportunity to vote in a referendum on November 25, 1958 for either of two programs: (1) to discontinue corn acreage allotments and accept price supports for corn at 90 percent of the average price for the 3 preceding calendar years, but not less than 65 percent of parity or (2) to continue the present acreage allotment program with price supports ranging from 75 to 90 percent of parity. If a majority of corn producers vote in favor of the new program, price supports will be mandatory for oats, barley, sorghum grain and rye at levels determined by the Secretary of Agriculture to be fair in relation to the price support and feeding value for corn and other specified factors.

(3) The minimum national and state acreage allotments for rice which were in effect in 1957 and 1958 are extended indefinitely. Price supports for rice will be determined without regard to the supply percentage beginning in 1959. Price supports will be not more than 90 percent of parity and not less than 75 percent in 1959 and 1960; not less than 70 percent in 1961; and not less than 65 percent after 1961.

(4) Extends the wool incentive program from March 31, 1959 to March 31, 1962 and makes more funds available for payments.

GENERAL BUSINESS ACTIVITY

Economic activity in August, after adjustment for seasonal factors, continued to recover from the April lows. Consumer incomes continued to improve some after allowance for the nonrecurring retroactive salary payments in July. Retail sales rose 1 percent between July and August. Employment in August increased about the usual seasonal amount. Seven and one-half percent of the civilian labor force was unemployed, the same as in April and May. Manufacturers' new orders and sales improved some in July

and the rates of inventory liquidation in manufacturing and trade slackened. Factory production also increased in August but less than in previous months. Capital spending by businessmen has apparently leveled out and is scheduled to pick up a little in the final quarter of 1958. The mid-year Budget Review indicates that Federal expenditures during the fiscal year which ends June 30, 1959 will increase 7 billion dollars over the preceding fiscal year.

Capital Spending
By Business to
Rise a Little

According to a recent survey of business plans to invest made jointly by the Department of Commerce and Securities and Exchange Commission, the sharp decline in capital spending by businessmen may be coming to an end. A small increase in spending is projected for the final quarter of 1958. In the current quarter, anticipated spending is at an annual rate of 30.3 billion dollars,

Table 1.--Expenditures for new plant and equipment by
 United States business 1957-58 and by quarters 1958,
 seasonally adjusted at annual rates

Item	1957	1958 <u>1/</u>	1958			
			Jan.- Mar.	Apr.- June	July- Sept. <u>1/</u>	Oct.- Dec. <u>1/</u>
	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>
Manufacturing	15.96	12.03	13.20	11.53	11.57	11.86
Durable goods industries	8.02	5.78	6.58	5.57	5.48	5.54
Nondurable goods industries	7.94	6.25	6.62	5.96	6.09	6.32
Mining	1.24	.93	1.00	.92	.91	.96
Railroad	1.40	.75	1.02	.77	.67	.50
Transportation other than rail	1.77	1.50	1.69	1.40	1.37	1.55
Public utilities	6.20	6.28	5.87	5.97	6.20	6.38
Commercial and other <u>2/</u>	10.40	9.48	9.63	9.73	9.60	9.77
Total	36.96	30.98	32.41	30.32	30.32	31.02

1/ Estimates are based on anticipated expenditures reported by business in late July and August 1958.

2/ Includes trade, service, finance, communications and construction.

Note: Detail may not add to totals due to rounding.

Securities and Exchange Commission and U. S. Department of Commerce.

down sharply from the 37.8 billion dollar rate a year earlier but the same as in April-June. The indicated rise to 31.0 billion dollars for the last quarter would still leave the rate 18 percent below the record level of the third quarter of 1957. Capital spending for 1958 is now estimated at 31 billion dollars, up slightly from the previous estimate in June but 6 billion less than investment in 1957.

Most industries have reduced spending on new plant and equipment substantially since the summer of 1957. Manufacturing firms reduced their spending by about 30 percent with firms producing durable goods down more than non-durables, and mining companies were down a fourth. Capital spending by railroads was reduced more than a half. However, declines were small in the transportation other than rail, commercial, and public utility groups.

Budget Expenditures To Rise

The Mid-Year Review of the Federal Budget recently released by the Bureau of the Budget presented revised estimates of Federal expenditures, receipts and the deficit for the fiscal year 1958-59. Budget receipts are estimated to total 67 billion dollars for 1958-59, down 2 billion from 1957-58, mainly due to a lower level of corporation profits this year. Budget expenditures of 79.2 billion dollars are estimated for 1958-59, up 7.3 billion dollars from 1957-58. As a result of lower receipts and higher expenditures in 1958-59, the current outlook is for a deficit of 12.2 billion dollars compared with 2.8 in 1957-58.

The revised estimate of expenditures for 1958-59 represents an increase of 5.3 billion dollars over the January Budget estimate and 7.3 billion above 1957-58. An increase in defense programs of .5 billions above the January estimate is scheduled for additional missiles, missile submarines and strategic aircraft. Expenditures by the Department of Agriculture are expected to be 1.9 billion higher than in the January Budget, principally due to larger price support activity for wheat and feed grains arising from the extraordinarily large crops this year. Soil Bank payments as a result of greater participation in the acreage reserve program, and loan disbursements by the Farmers Home Administration are also expected to be larger than anticipated in January. Antirecession measures such as the purchase of mortgages on low-cost housing, the extension of the veterans housing loan program, the temporary program to advance funds to augment State unemployment benefits, and accelerated public works construction accounted for an increase of about 2 billion dollars above the January estimates.

Table 2.--Federal budget receipts, expenditures, and surplus,
1956-59

(Fiscal years ending June 30)

Item	1956	1957	1958	1959	
				January estimate	Current estimate
	<u>Billion dollars</u>	<u>Billion dollars</u>	<u>Billion dollars</u>	<u>Billion dollars</u>	<u>Billion dollars</u>
Budget receipts:					
Individual income taxes	32.2	35.6	34.7	38.5	36.0
Corporation income taxes	20.9	21.2	20.1	20.4	16.7
Excise taxes	9.9	9.1	8.5	9.3	8.4
All other receipts	5.2	5.2	5.8	6.2	5.9
Total	68.2	71.0	69.1	74.4	67.0
Budget expenditures:					
Major national security	41.8	44.4	45.0	46.3	46.8
International affairs and finance	.7	.8	1.3	1.3	1.4
Veterans' services and benefits	4.8	4.8	5.0	5.0	5.2
Agriculture and agricultural resources	4.9	4.6	4.5	4.6	6.4
Other	14.3	14.8	16.1	16.7	19.4
Total	66.5	69.4	71.9	73.9	79.2
Budget surplus (+) or deficit (-)	+1.6	+1.6	-2.8	+1.5	-12.2

Note: Detail may not add to totals shown because of rounding.

Bureau of the Budget.

Consumer Incomes Improve

Consumer incomes in August seasonally adjusted at annual rates, were up about 1 billion dollars from the July level after adjustment is made for the lump sum retroactive salary payments to Federal employees. Private wage and salary disbursements rose to 194.8 billion dollars, up 600 million from July but about 5 billion below August 1957. Transfer payments totaled 26.7 billion dollars, up 200 million from July and 5 billion from a year earlier. There were small changes in other sources of personal income.

Retail Sales Up
In August

Retail sales, in August seasonally adjusted, totaled 16.9 billion dollars up 200 million from July and the highest for the year to date. Retail sales in August were close to the peak level of 17.0 billion dollars a year earlier. Durable goods store sales in August totaled 5.3 billion, up from July but about 7 percent below a year earlier. Dealer sales of new passenger automobiles continued to run about a fourth below a year earlier. Sales in August by the automobile group, which includes used cars, parts, tires and accessories as well as new cars, were 14 percent below a year earlier. Furniture and appliance group sales improved in August, but were 3 percent below August 1957.

Nondurable store sales, seasonally adjusted, totaled 11.6 billion dollars up 100 million from July and about 3 percent above a year earlier. In August department store sales seasonally adjusted, reached a new record, up about 6 percent from July and 3 percent from the same period last year.

Construction Outlays
Higher in August

The dollar value of construction put in place, seasonally adjusted, totaled 4,120 million dollars in August, up $1\frac{1}{2}$ percent from July and 2 percent from a year earlier. This is the third successive advance since May. Most of the increase in outlays between July and August was in private residential buildings which totaled 1,506 million dollars, up 5 percent from July and 7 percent from August 1957. Private industrial and commercial construction outlays declined further, and in August were about a fifth below a year earlier. Public utility construction at 498 million dollars was unchanged between July and August, but 2 percent above last year. Public construction amounted to 1,264 million dollars seasonally adjusted, up a little from July, due mainly to increased outlays for military facilities. Highway construction was virtually unchanged between July and August.

Construction contract awards in July were about a fourth above a year earlier. All types of construction awards were higher except commercial and industrial activity. New nonfarm housing starts, seasonally adjusted at annual rate, increased again in August to 1,170,000 up 10,000 from July and the highest since January 1956.

Employment Rises Seasonally

Civilian employment was at a seasonal peak of 65.4 million in August, up 188,000 from July but a million below a year earlier. Nonagricultural employment rose about seasonally to 58.7 million, up 285,000 from July, but 816,000 below July 1957. Increases for most industry groups, reflected a normal seasonal pickup, but increases were more than seasonal in manufacturing, particularly some durable goods industries. Employment in steel mills, communication equipment, and farm machinery industries were higher, while automobile employment was the lowest in over a decade.

Unemployment Rate Steady

Unemployment declined 600,000 in August to 4.7 million, as the number of job seekers 14 to 19 years old returned to the level of last May. Although there have been some seasonal improvements in agriculture, construction and related activities, the rates of unemployment have been fairly stable since last spring. As a result, the seasonally adjusted rate of unemployment has been close to the August rate of 7.6 percent since spring.

The average nonfarm workweek rose seasonally in August to 40.8 hours, up 1.2 hours from the April low but .5 hour less than a year earlier. Although part of the increase in hours in recent months has been seasonal, the longer workweek reflects more overtime in durable goods manufacturing and fewer full-time workers on part-time. Average weekly hours of factory production workers rose seasonally to 39.4 hours in August. Average hourly earnings declined 1 cent per hour to \$2.12, but average weekly earnings remained close to the July level.

Manufacturers' Sales and New Orders Pick Up

Manufacturers' sales and new orders, after seasonal adjustments, rose some in July, and unfilled orders picked up for the first time since November 1956. Manufacturers' sales rose 2 percent from June to 26.3 billion dollars in July with gains registered for both durable and nondurable goods industries. New orders placed with manufacturers also climbed about 2 percent to 26.3 billion dollars between June and July. Practically all the increase in new business was concentrated in nondurable goods industries.

Rate of Inventory Liquidation Less than in Spring

The book value of manufacturing and trade inventories at the end of July totaled 85.9 billion dollars, down 500 million from June and 5 billion from a year earlier. The rate of liquidation, while the same as in June, was considerably less than during the spring. In July manufacturers' inventories declined 400 million dollars, split between durable and nondurable industries. Retail stocks declined 100 million and wholesale stocks were steady during the month.

Factory Production Higher

In August industrial production improved. The Federal Reserve Board's index reached 137 (1947-49=100), up from 134 in July, but $5\frac{1}{2}$ percent below a year earlier. The durable goods production index climbed to 144, up 6 percent from the April low. Primary metals production increased over the month to 107, up 5 percent from July led by improvement in the steel mill operating rate each week since early July. The output of automobiles declined sharply, but it was partially offset by gains in television, furniture, and other major consumer durables. The consumer durable production index in August was 114 the same as July but 16 percent below a year earlier. Production rose also in the machinery and lumber industries. The volume of fabricated metal products and stone clay and glass products declined.

Nondurable goods production, in August was 134 percent of the 1947-49 average, compared with 132 in July and August 1957. Output increased in the textile, rubber, paper and printing and chemical industries. Food and beverages production was unchanged while output of petroleum products declined some.

Prices a Little Lower in August

Prices received by farmers dropped 1 percent between mid-July and mid-August and prices paid by farmers for commodities and services including interest, taxes, and farm wage rates were down a little. This left the parity ratio unchanged at 83 down 1 point from August 1957. Wholesale prices between July and August were unchanged with declines in farm product and processed food prices offset by slightly higher prices for industrial goods. Urban consumer prices and the index of prices paid by farmers for family living items declined between mid-July and mid-August.

The index of prices received by farmers in mid-August was 251 (1910-14=100) down about 1 percent from the previous month. The prices of most commodities averaged lower in mid-August than mid-July but the index was nearly 2 percent above a year earlier. Marketings of meat animals increased some and prices declined 3 percent between mid-July and mid-August. Dairy product prices rose 4 percent more than seasonally. Wholesale milk prices accounted for most of the rise. The poultry and egg index failed to make its usual gain, as prices of eggs rose less than usual and broilers declined some.

Most crop prices also declined in August. The index at 225 was down more than 1 percent from mid-July and 3 percent from a year earlier. Prices received for commercial vegetables were 13 percent below July and a fifth below 1957. Potato prices also declined sharply. The index for potatoes, sweetpotatoes and dry beans reached the lowest level for August since 1941. Fruit prices declined during August but were nearly a fifth above a year earlier. Cotton prices rose 8 percent in the month and were the highest since September 1955, reflecting an increase in the quality of current marketings

and a higher loan rate for 1958. Food grain prices averaged the same, while feed grains declined a little. Tobacco prices averaged 2 percent higher over the month.

The index of prices paid by farmers for commodities and services including interest, taxes and farm wage rates declined 1 point to 304, slightly below the April-May highs and about 3 percent above August 1957.

Prices paid for farm production items declined a little in the month ended August 15. Declines in prices of feeder livestock, baby chicks, turkey poults and feed grains were registered in August, but they were partially offset by higher prices for motor fuels, building materials, and high protein feeds. The feeder and replacement livestock index declined 3 percent between mid-July and August but it was 18 percent above a year earlier. Prices paid for family living items were a little lower in August, due principally to lower prices for food which more than offset minor increases in prices of building materials, motor supplies and clothing.

Urban consumer prices in August declined fractionally to 123.7 (1947-49=100) after increasing steadily for 2 years. Most of the decline was due to lower food prices; the cost of house furnishings and apparel were also lower.

The index of wholesale prices in August was 119.1 (1947-49=100), a little lower than in July. The index of farm product prices at 93.2 was down nearly 2 percent. The index of processed food prices also declined 1 percent to 111.3. Industrial price trends increased 0.4 percent in August to 126.1 compared with 125.6 in July and 126.0 a year earlier. Prices of metals and metal products climbed 1.3 percent primarily due to a sharp rise in iron and steel scrap, steel mill products and nonferrous metals. Lumber and wood products, and gasoline, and some other petroleum products were also higher.

FARM INCOME

Farmers received 19.5 billion dollars from marketings in the first 8 months of 1958, $10\frac{1}{2}$ percent more than in the corresponding period in 1957. Prices averaged 6 percent higher and the volume of marketings was up about 4 percent. Receipts from livestock and products were about 12.2 billion dollars, 10 percent above 1957. The increase was due to higher prices for cattle, hogs, chickens and eggs. Crop receipts were 7.3 billion dollars, 12 percent above 1957. Larger receipts from wheat, sorghum grain, potatoes, oranges and cotton accounted for most of the increase.

Total cash receipts in August were 2.9 billion dollars, 7 percent above August 1957. Both prices and marketings were up slightly. Receipts from livestock and products were 1.5 billion dollars, 4 percent above last year, due largely to higher prices for cattle, hogs, and eggs. Crop receipts in August of 1.4 billion dollars were 11 percent above August of last year mostly because of larger receipts from the record wheat crop.

LIVESTOCK AND MEAT

Seasonally declining prices for hogs are in prospect for the next couple of months as marketings build up to the year's high. The decline may halt before the end of the year but any seasonal recovery after the first of next year will be slow. Prices of hogs will be a good lower in 1959 than this year.

Hog slaughter the rest of the fall will not differ much from a year earlier. The spring pig crop was only 2 percent larger than the 1957 spring crop. All of the gain was in early farrowings, and a somewhat higher slaughter rate since mid-year has already accounted for much of that increase.

Slaughter next year, however, will be considerably larger than this year. Farmers in 9 of the Corn Belt States reported a 17 percent gain over a year earlier in summer farrowings (June-August). Moreover, they planned for 16 percent more September-November farrowings and 20 percent more in December-February.

In mid-September, prices of feeder cattle were a good deal higher than a year before and prices of fed cattle slightly higher. Prices of fed cattle may not change much while remaining long-feds are marketed, but an upturn is quite possible before year's end. Feeder cattle prices, while possibly declining seasonally, will remain well above last fall's prices.

Total cattle slaughter is expected to continue below last year, with most or all the reduction in grass cattle, including cows. Calf slaughter also will probably remain less than last fall. The 1958 calf crop was nearly the same as last year and more calves probably will be retained on farms. Sheep and lamb slaughter will likely be close to last fall.

Good range and pasture conditions over most of the range area are apparently encouraging late marketings of cattle again this year. Shipments of stocker and feeder cattle and calves have been below a year earlier since July 1, when the number on feed was 16 percent greater than on July 1, 1957. As market receipts of fed cattle at 7 principal markets have been above last year, the number on feed currently is probably being cut back closer to a year ago. While price prospects for fed cattle next winter appear favorable, opportunities for average profits or better are limited by higher feeder prices.

DAIRY PRODUCTS

Milk production is declining seasonally, the volumes of butter and American cheese being bought under the price support program have declined substantially and wholesale prices of these products have increased slightly. Milk production will not begin to rise again seasonally until November, then will rise gradually until the annual peak which usually occurs in June. CCC stocks of butter and cheese have been reduced to low levels and it is expected that the volume of purchases of these products during the next few months will be relatively light. Since April 1 the decline for butter and cheese purchases, in terms of milk equivalent has been more than one-third. On the other hand,

holdings of nonfat dry milk by CCC are above a year ago and purchases are running considerably larger this year.

The most influential factor in the levelling out of milk production this year has been the rise in meat animal prices in the past year, which has caused the sharpest annual reduction in milk cow numbers since 1948. A more recent development has been serious drought conditions in the Upper Great Lakes States--heavy milk producing areas. Tending to maintain output, however, are record large supplies of concentrates and price ratios are favorable for producing milk. Milk output for the year will approximate the record 126.4 billion pounds set in 1957.

Consumption per person of American cheese has been running substantially above 1957, but per capita consumption of milk and most other dairy products is down slightly.

Prices to farmers for milk so far this marketing year have averaged 10 cents per hundredweight, about 3 percent under a year earlier. Prices of butter and cheese may continue above support level during most of the fall period and be nearer year-ago levels than in past months. Cash receipts to farmers for milk and its products have been running smaller this year than last.

POULTRY AND EGGS

Market supplies of eggs and poultry will be larger this fall than last. In mid-September, egg prices declined considerably in some wholesale markets but these prices, as well as the prices to farmers in the Midwest, continued at or a little above a year earlier. However, with larger egg production in prospect for the rest of this year over last, egg prices in the remainder of 1958 probably will average below those of a year earlier. The seasonal price rise for turkeys also is likely to be small, because of a large late hatch of poults and big storage supplies. Continued heavy production and low prices for broilers are in prospect.

Average egg prices rose only slightly from late spring to late August, but then rose substantially until the weakness developed in mid-September. Prices of fine quality large eggs in early September were the highest since last November. In mid-August, the U. S. average egg price to farmers was 36.9 cents per dozen, only 3 cents above the season's low in June, a half cent above mid-August 1957.

The number of chickens raised for laying flock replacement this year increased 10 percent over 1957. This is the principal factor in the prospect for increased egg production. The flock of layers will probably be 2 to 4 percent larger on January 1, 1959 than a year earlier, when 352 million birds were on hand. On September 1 this year the laying flock was 1 percent smaller than last year, mostly because of heavier marketing of hens from the laying flocks. The new flock is likely to lay at a higher rate per bird this fall and winter than last. On September 1 the rate of 51.6 eggs per 100 birds was 2 percent above the previous September.

The 78 million turkeys being raised this year is 4 percent fewer than last year's record 81 million. Currently, turkey prices are about the same as a year earlier. This year at mid-August, prices to farmers averaged 24.9 cents per pound, against 22.7 cents last August. Large stocks of turkeys are in storage--102 million pounds on September 1. This is a larger volume for that date than any other year including 1957. Stocks in storage will tend to hold this year's price close to that of last year, with only a small rise from the present time until the holidays. The U. S. Department of Agriculture began buying turkeys for school lunches in late July.

Broiler production in 1958 will likely be about 16 percent above the 1957 production of 1.5 billion birds. In the first half of the year, prices averaged above 1957 mainly because prices of red meats were high. Also, heavier than usual mortality in broiler flocks resulted in a smaller increase in market supplies than would have been indicated by earlier placement figures. Successive increases in monthly broiler production brought a price break in early summer. The mid-August price to producers was 18.0 cents per pound, compared with 21.0 cents 2 months earlier and 20.7 a year earlier. The number of broilers growing in early September, plus the number of eggs in incubators, was 12 percent more than last year, indicating abundant supplies through the rest of 1958. The potential supply of broiler hatching eggs and chicks, reaching into 1959, also is large.

OILSEEDS, FATS AND OILS

September 1 indications point to a record supply of edible fats, oils and oilseeds in the 1958-59 marketing year. Prospects are that they will exceed the 11.7 billion pounds (oil equivalent) for the year just ending by about 15 percent. A large part of this increase is attributed to the prospective 17 percent rise in soybean output; however lard output and cottonseed oil production is expected to be up considerably. Little change is expected in butter output. Carryover stocks of food fats (including the oil equivalent of soybean stocks) on October 1, 1958 are expected to be up about 20 percent from the relatively low level of a year earlier.

The quantity of food fats, including oil equivalent of soybeans, available for export in 1958-59 will be substantially greater than the 2.6 billion pounds estimated for the year just ending. It is still too early to forecast the 1958-59 level of exports. Sales for dollars plus another large P.L. 480 program will result in a heavy outward movement. In 1957-58, sales for foreign currency accounted for nearly 70 percent of the edible oil exports.

Competition in world markets is likely to continue keen as exportable supplies continue large in several foreign countries. Current prospects indicate that world output of fats and oils in 1959, which includes the 1958 fall-harvested crops in the U. S., probably will increase slightly and set a new record. Most of the increase would be in the U. S. However, reasonably reliable estimates on the size of foreign crops, such as Mediterranean olive oil, African peanuts, and Indian and Chinese oilseeds, will not be available for another 3 months.

The 1958 U. S. crop of soybeans was indicated on September 1 at 561 million bushels, 81 million more than a year earlier. Farm prices during most of the harvesting season are likely to average near the national support level of \$2.09 per bushel, which is the same as the 1957 level. Although crushing plus exports of soybeans likely will rise to a new peak in 1958-59, end-of-year carryover stocks probably will be at a record level.

Based on the average ratio of lint to seed, the 1958 cottonseed crop was indicated as of September 1 at 5,008,000 tons, nearly 9 percent more than last year's short crop. Farm prices are expected to average above the support price of \$41 per ton (purchase price, basis grade 100) but less than last year's season average price of \$51. Farmers received \$47.60 per ton for their cottonseed in August and prices probably declined in September.

Peanut output in 1958 is estimated at 1,797 million pounds, 24 percent above last year. Prospective supplies are sharply above domestic needs for food and farm uses and CCC likely will acquire the surplus under the support program. Prices to farmers are expected to average near the loan value which is slightly lower than last year. Large supplies of peanuts in the 1958-59 season may encourage some increase in consumption. Consumption also would be stimulated if the lower farm prices are reflected in the price of consumer products. CCC diversion of peanuts during the marketing year will be heavy.

FEED

The 1958 growing season for feed crops is turning out to be the best in years. Prospects have improved since July--record yields per acre are indicated for each of the four feed grains. Total feed grain production of 151 million tons is 8 million tons larger than the record crop last year and 26 million tons above the 1952-56 average. Pastures have been unusually good over most of the country throughout the summer. Another big hay crop is being harvested, and with the big stocks carried over from last year the total supply of hay is the largest of record.

The total supply of feed grain and other concentrates for 1958-59 is now estimated at 239 million tons, 9 percent larger than in 1957-58, and 30 percent larger than the 1952-56 average. The big feed supplies and favorable livestock-feed price ratios of the past year or so are expected to bring an increase of about 5 percent in the number of grain-consuming livestock to be fed in 1958-59, and heavier utilization of feed grains and other concentrates is in prospect. The big feed grain crop this year, however, is fully ample to meet these heavier requirements, and probably also will boost carryover stocks into 1959-60 by about 25 percent over the prospective 60 million ton carryover into 1958-59.

Prices of feed grains and high-protein feeds have declined in August and early September, after rising during the first half of the year. Further seasonal declines in over-all feed prices are expected this fall when the 1958 crops of corn and sorghum grain come to market in volume and processing of the

record 1958 soybean crop gets under way. A sharp drop in soybean meal prices during late July and August and moderate declines in prices of most of the other high-protein feeds brought the level of high-protein feeds in August down 6 percent from July, but they were still 12 percent higher than a year earlier. Soybean meal prices had regained some of their loss by early September. Feed grain prices received by farmers in mid-August were 3 percent below those of a year earlier.

Under the Agricultural Act of 1958 farmers in the 1958 commercial corn producing area will be given an opportunity to vote November 25 on whether they favor: (1) Discontinuance of the acreage allotment program and accept a price support rate based on 90 percent of the average price for 3 preceding calendar years, but not less than 65 percent of parity; or (2) continuation of the present acreage allotment program with supports to complying producers between 75 to 90 percent of parity. If a majority of producers vote in favor of discontinuing allotments, price supports for other feed grains are mandatory at levels considered fair and reasonable based on the feeding value of these grains in relation to corn. In either case, the Soil Bank Acreage Reserve Program will be discontinued for corn and other basic crops in 1959. Because of the big corn supplies the allotment for 1959 probably would be about 33 million acres, around 15 percent less than the allotment for the 1958 crop.

WHEAT

Wheat prices are lower relative to the loan than last year and the average. They are expected to continue so throughout the year, as a result of the very large production and an increased amount of wheat not eligible for price support. The support level this year at \$1.82 per bushel is below the \$2.00 for the 1957 crop.

September 18 prices are lower than a year earlier relative to the effective support levels as follows: No. 1 Dark Northern Spring at Minneapolis, 5 cents; No. 2 Soft Red Winter at St. Louis, 5 cents and No. 1 Soft White at Portland, 15 cents. The price of No. 2 Hard Red Winter Wheat at Kansas City was 2 cents higher than a year earlier relative to the effective loan.

On the same date this year, prices were as follows, with amount below the effective support shown in parentheses: No. 2 Hard Red Winter at Kansas City, \$1.90 (15 cents); No. 1 Dark Northern Spring at Minneapolis, \$2.06 (5 cents); No. 2 Soft Red at St. Louis, \$1.90 (15 cents) and No. 1 Soft White at Portland, \$1.98 (1 cent above). These prices were above the low for the season as follows: Kansas City, 20 cents; Minneapolis, 12 cents; St. Louis, 14 cents, and Portland 4 cents.

Total wheat supplies for the marketing year which began July 1, 1958 are estimated at 2,338 million bushels. They exceed the previous peak in 1956-57 by 293 million bushels, or 14 percent, and 1957-58 by 25 percent. Over a 50 percent increase in the 1958 crop much more than offsets a slightly smaller carryover. Supplies this year consist of the carryover July 1 of 881 million bushels,

the crop estimated at 1,447 million as of August 1 for winter wheat and September 1 for spring wheat and an allowance for imports of about 10 million bushels, mostly of feeding quality wheat.

Domestic disappearance in 1958-59 is estimated at about 610 million bushels, slightly above 1957-58, and exports at 400 million bushels, about the same as in 1957-58. This would leave a carryover July 1, 1959 of about 1,330 million bushels, about 450 million more than a year earlier and the largest in our history.

FRUIT

Consumer demand for fresh and processed fruit is expected to continue good this fall, and processor demand probably will remain somewhat stronger than in the fall of 1957. The level of prices received by growers for fruit is expected to continue above that of last fall. However, prices for some fruits in larger supply may average lower.

Growing conditions for the 1958 deciduous fruit crops were generally favorable during August and early September, and production prospects improved somewhat for several fruits. Total production of deciduous fruits is now expected to be about 4 percent larger than in 1957, and total output of tree nuts is expected to be up 8 percent over 1957. Among fruits that will be marketed this fall, production of apples is up 7 percent over 1957, grapes 8 percent and cranberries 3 percent. But output of pears is down 7 percent.

Supplies of oranges and grapefruit, now mostly from California, will continue much lighter than usual until fruit from the new crops, especially from Florida, will be available in volume in the fall. When this occurs, prices are expected to decline from current high levels but still average somewhat above those of late 1957. The first official estimates of the 1958-59 citrus crops will be released in the October Crop Report.

In early September, Florida packers' stocks of frozen orange concentrate were about one-fourth smaller than a year earlier. Stocks of canned single-strength citrus juices were down about two-fifths. This points to much smaller carryover stocks of these items this fall than in the fall of 1957. Total cold-storage holdings of frozen deciduous fruits and berries (excluding juices) on September 1, 1958 were nearly as large as a year earlier.

COMMERCIAL VEGETABLES

For Fresh Market

Production of vegetables for fresh market this fall promises to be average and slightly above that of last year. Early September estimates on crops which account for about three-fourths of commercial fall tonnage indicate aggregate production of these crops at slightly less than the 1949-56 average and 3 percent larger than last fall. Increases in early fall cabbage and

carrots account for most of the prospective increase over last year. But early fall cauliflowers, spinach and tomatoes are expected to be in larger supply. These prospective increases are partly offset by smaller crops in prospect for early fall snap beans and lettuce and late fall celery.

Consumer demand is expected to continue strong, but fresh vegetables will again encounter strong competition from processed items, particularly from frozen. With only slightly larger supplies of fresh vegetables indicated than last year, prices received by growers this fall are likely to average near those of a year earlier.

For Processing

Carryover stocks of both canned and frozen vegetables were somewhat smaller at the beginning of the current season than a year earlier. But principally because of a substantially larger tonnage of tomatoes, production of vegetables for commercial processing is expected to be somewhat larger this year than last. The supply of canned vegetables available in the 1958-59 season is expected to be a little larger than that of a year earlier. The supply of frozen vegetables is expected to be somewhat smaller than the heavy supplies of last season.

POTATOES AND SWEETPOTATOES

Supplies of potatoes during the next few months are expected to be larger than a year earlier. Production in late summer areas is estimated at 35.9 million hundredweight, 11 percent more than last year. Indicated production for fall harvest, at 176.6 million hundredweight is 12 percent larger than last year. For the week ended September 13, f.o.b. Yakima Valley, Washington shipping point price of U. S. No. 1 Russets, washed, averaged \$1.91 per hundredweight compared with \$2.16 a year earlier. The Department of Agriculture has announced a potato diversion program to assist the industry in marketing the large crop. Essential features of the program are similar in most respects to the one last year.

Supplies of sweetpotatoes in the current season promise to be about the same to slightly larger than those of a year earlier, but 7 percent below the 1949-56 average. Prices received by farmers in the 1958-59 season are expected to average near those of last season.

DRY BEANS AND PEAS

Production of dry edible beans is estimated, in early September, at 18.8 million bags, about a fifth above that of a year ago. But, dry pea production is expected to be about 28 percent smaller than last year, and the smallest since 1940.

If present production prospects materialize, supplies of dry beans in the 1958-59 season will be materially larger than last season, and prices received by farmers are likely to average moderately to substantially below those of a

year earlier. The much smaller supply of dry peas is expected to move at prices materially above the low level of last season.

COTTON

The Agricultural Act of 1958 provides a minimum national acreage allotment of 16 million acres. Without this provision it is estimated that the allotment would have fallen from the 17.6 million acres for this year to 13.7 million acres in 1959. For each of the 1959 and 1960 crops of upland cotton each cooperating farmer will have to choose, for all the farm he operates between ("A") having the regular farm acreage allotment and receiving price support calculated as at present by the "supply-percentage" formula, but not less than 80 percent of parity for 1959 and not less than 75 percent for 1960, or ("B") having his allotment increased by up to 40 percent as determined by the Secretary of Agriculture with support 15 percent of parity lower than the support available to growers selecting plan "A". For 1959 the full 40 percent will be permitted. Final price support levels are to be announced by the Secretary of Agriculture no later than January 31.

Support for choice "A" will be by means of a purchase program and for "B" by loans, purchases or other operations.

For the period August 1, 1959-July 31, 1961 the Act establishes a minimum CCC sales price for unrestricted use equal to 110 percent of current level of price support for choice "B" cotton. The current export sales program was not altered by the new legislation.

The choice plan is not operative for the 1961 and subsequent crops. The Act establishes a maximum of 90 percent of parity price and a minimum of 70 percent for the 1961 crop and 65 percent thereafter, the specific level to be determined by the Secretary after considering various supply and demand factors. Beginning August 1, 1961 CCC minimum sales prices for unrestricted use are to be set at 115 percent of the support price, plus reasonable carrying charges. The base quality for parity and price support purposes will be changed from Middling 7/8 inch to "the average of the crop".

The supply of cotton in the United States during the 1958-59 marketing year is estimated at about 20.9 million running bales. This is approximately 1 1/2 million bales below the preceding season and 6.7 million bales below the record high supply during 1956-57. The starting carryover is about 2.6 million bales below a year earlier. But the 1958 crop, according to the September 1 crop report, is 1.1 million bales larger than that of 1957, despite an additional 2 million acres having been placed in the Soil Bank. The indicated record high yield of 486 pounds per harvested acre compares with 388 pounds in 1957 and the previous high of 417 pounds in 1955.

Disappearance during the 1958-59 marketing year is expected to decline due to smaller exports. Shipments to foreign countries may be more than a million bales below the 5.7 million bales exported during 1957-58. The decline in exports is predicated on: No anticipated increase and a possible decline

in foreign consumption; intensified efforts of foreign exporters to dispose of accumulated stocks; a large current crop; a hold-up of foreign purchases in expectation of a large U. S. crop in 1959; reportedly large consignment stocks of U. S. cotton in certain foreign countries.

If domestic mill consumption remains at about the 1957-58 level an export decline of even 1 1/2 million bales could still result in a slight decline in the carryover by August 1, 1959.

Spot market prices for cotton during August averaged 34.83 cents per pound for Middling 1 inch at 14 spot markets, or about a half cent below the loan rate. This compares with 33.63 cents a pound a year earlier. Prices received by farmers in August averaged 33.22 cents per pound (equal to 86 percent of parity) with a large part of current marketings going into loan.

WOOL

The Agricultural Act of 1958 provides for extension of the wool incentive program from March 31, 1959 to March 31, 1962 and makes more funds available for payments.

A shorn wool incentive price of 62 cents per pound of wool and a mohair support price of 70 cents per pound were announced on September 16 by the Department of Agriculture for the 1959 marketing year which begins next April 1. The 1959 prices are the same as for the first 4 years of the program running from the 1955 through the 1958 marketing years.

Prices at the opening sales of the 1958-59 British Dominion wool selling season were 5 to 10 percent lower than at the closing 1957-58 sales of last June. They have fluctuated within relatively narrow ranges since.

Early in September, Boston quotations for most domestic wools were nominally unchanged from a month earlier. They have been relatively stable since the opening of the current domestic marketing season.

Prices received by domestic growers for shorn wool averaged 37.4 cents per pound, grease basis, during August, the same as a month earlier. The monthly averages have ranged between 36.3 and 37.7 cents since April-the beginning of the current domestic marketing season. However, due to the easier world demand, they have averaged substantially below a year earlier.

Aggregate mill use of wool in the 10 countries which report quarterly to the Commonwealth Economic Committee began to decline during the third quarter of last year. The decline continued through the second quarter of this year; at that time, aggregate mill use was 18 percent below a year earlier. Consumption was the same as a year earlier in Sweden, but below in each of the other 9 countries.

Domestic mill use of apparel wool has been increasing since the beginning of this year when it was at a cyclical low. During July, the rate was only 2 percent lower than a year earlier. It now appears likely that it will

total above a year earlier for the last 5 months of the year. Use of carpet wool continues substantially lower than a year earlier.

With lower mill use, imports of both dutiable and duty-free wool during the first half of this year were substantially lower than a year earlier.

TOBACCO

More than two-fifths of the 1958 flue-cured crop was marketed by mid-September. The marketing season is finished in Georgia-Florida and nearing the end in the South Carolina-border North Carolina Belt. In the Georgia-Florida markets, prices averaged above any previous season and in the Border Belt through mid-September, prices averaged about the same as in 1957 when they exceeded any previous year. Auctions are now in full swing in the Eastern North Carolina Belt and in the Old and Middle Belts in North Carolina and Virginia. For all Belts combined through mid-September, the price average was 57.2 cents compared with 56.7 cents in the comparable period of 1957. Thus far, a considerably larger share of market deliveries have been received under Government loan than last season. Through mid-September, placements under loan totaled about $68\frac{1}{2}$ million pounds--11 percent of marketings in contrast with 3 percent in the comparable period of the 1957 season.

The 1958 flue-cured crop estimated as of September 1 at 1,071 million pounds is 10 percent larger than last year's harvestings, which were the smallest since 1943. Carryover on July 1 at 2,308 million pounds is 8 percent below the peak level of a year earlier. The 1958-59 total supply--carryover plus this year's crop--is 3 percent below 1957-58 and 8 percent below the record level of 1956-57.

Cigarette and cigar output during the first 7 months of 1958 were both 3 percent ahead of the same period of 1957. Manufacture of smoking tobacco for pipes and "roll-your-own" cigarettes during January-July 1958 jumped 12 percent above that of the corresponding period in 1957. On the other hand, output of chewing tobacco and snuff during the first 7 months of 1958 dropped 5 and 7 percent, respectively, below a year earlier.

Exports of unmanufactured tobacco during the first 7 months of 1958 totaled 197 million pounds (declared weight)--a tenth lower than in the same period of 1957.

As of September 1, burley production was indicated to be 403 million pounds--slightly smaller than last year's crop. Carryover of burley at the outset of the 1958-59 marketing year will be down a little from a year ago. Total supply for burley for 1958-59 is likely to be about 2 percent lower than for 1957-58. Total supply of burley has declined 6 percent from the high level of 4 years ago.

Based on September 1 indications, this year's production of Connecticut Valley binder tobacco and Kentucky-Tennessee fire-cured tobacco are down 28 and 15 percent from last year's harvestings.

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